

**Statement of
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U.S. Department of the Interior
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Oversight Hearing
*Oil and Gas on Public Lands:
Impact on Hunters, Anglers, Ranchers and Small Business***

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Madam Chairwoman and Members of the Committee, thank you for the opportunity to appear here today to discuss oil and gas development on public lands, and its impact on hunters, anglers, ranchers and small business. I believe it is important for government to have clear laws and rules, and to be responsive to the needs of its citizens and clients. Experience has taught me that results count, and clear processes ensure quality and transparency. In order to achieve results, it is imperative that government work collaboratively with states, local governments, Tribes, individuals, and other stakeholders to resolve issues, develop productive relationships, and build consensus. This management approach has yielded positive results for me not only in my current position, but also when I served as the Director of the Idaho Department of Environmental Quality.

You only need to look at the newspapers to see the impacts energy costs are having on businesses. The Department of Energy, Energy Information Administration, forecasts an increase in crude oil prices that will continue through this spring. As a result, we can expect to see record level gasoline prices this spring and summer. Increases in energy prices, especially those associated with transportation impact these businesses. As this Committee is well aware, this impact is especially felt by small businesses such as ranching and other agricultural operations that have unique challenges.

As energy demand continues to rise, we must focus on energy supplies. According to the Energy Information Administration's latest estimates, even with new energy efficiency standards, U.S. consumption of liquid fuels and other petroleum products will rise almost 10 percent by 2030. Total U.S. energy use will increase 19 percent and demand in China and India doubles. Domestic production of all energy resources, oil, gas, coal and renewable energy, will be important to our economy, and to small businesses, over the next 25 years.

There are two specific items I would like to highlight for the Committee. The first is Secretary Kempthorne's Healthy Lands Initiative (HLI). Through this initiative, BLM is working collaboratively with our Federal and non-Federal partners to restore, enhance, and protect habitats through landscape-scale restoration initiatives and conservation planning, allowing us to continue to fulfill our multiple-use mandate.

Next is the success of the Energy Pilot Offices. The BLM has completed the second year of implementing Section 365 of the Energy Policy Act of 2005, the "Pilot Project to Improve Federal Permit Coordination". During the Pilot's first two years, the program has achieved key

objectives. The BLM has improved reliability in providing industry the permits needed to develop new energy resources for the nation while making significant progress on improving environmental stewardship and mitigating resource impacts resulting from energy development.

Background

The BLM is the steward of 258 million surface acres of public lands and 700 million acres of onshore Federal subsurface minerals and manages them in accordance with the 1976 Federal Land Policy and Management Act. These lands provide for outdoor recreation, domestic energy, wildlife habitat, livestock grazing, timber, and the enjoyment and protection of other natural, cultural, and historical resources.

With the rapid population growth in the West – from nearly 20 million people in 1950 to more than 65 million today – the pressure to meet complex, and sometimes competing, demands for public land resources has exponentially grown. More than 4,100 communities, with a combined population of more than 57 million people, are located within 25 miles of BLM-managed public lands and waters.

Traditional uses of the public rangelands, including livestock grazing, have been and continue to be critical to the economic vitality and cultural identity of the West and to Western rural communities. Recreation opportunities abound on the public lands. Sportsmen have contributed billions of dollars in license fees, excise taxes and conservation stamp revenues to finance federal and state wildlife conservation efforts. Many hunters also volunteer countless hours for conservation causes and raise additional money for habitat improvements and acquisitions across the country. The BLM also has long-standing partnerships with a number of conservation organizations, including those affiliated with the shooting sports. State fish and game agencies are cooperators in many of the plans BLM implements.

Approximately one-third of all domestic energy produced in the United States comes from resources managed by the Department of the Interior. Resources managed by the BLM include oil and gas and renewable energy, such as solar, wind, biomass, and geothermal. This committee is keenly interested in the success of small businesses. Reliable and affordable energy is a key issue for many businesses, especially smaller operations. Increases in energy prices, especially those associated with transportation, impact businesses, large and small. But the smaller ranching and other agricultural or rural operations often feel this impact most dramatically.

Access to Energy Resources

It is important to understand that only a small proportion (about 5%) of BLM-managed lands have oil and gas production, and a much smaller area is directly affected by surface disturbance. Access to Federal oil and gas resources is restricted by laws, regulations and special limitations. The Phase II Energy Policy and Conservation Act study inventoried 99.2 million acres in eleven priority basins. It showed that, of the inventoried areas, 46 percent is not accessible for oil and gas development, 30 percent is accessible with restrictions, and 24 percent is accessible under standard lease terms.

While we are seeing an increase in interest for development on those lands the BLM manages for oil and gas, increased interest in access to energy development is also occurring on both private and state lands. In fact, it is important to note that by some measures, recent energy development on private and state lands is more extensive than on Federal lands.

In Fiscal Year 2007, the BLM share of approved Applications for Permit to Drill (APDs) was less than those approved for state and private lands. As a way of comparison, within the state of Colorado, only 13 percent of the APDs granted were for BLM lands. In Montana, that percent was 27 percent, in North Dakota 19 percent, and in Wyoming 43 percent.

In states with significant Federal minerals, more than two thirds of the oil production occurs on state and private land. In Colorado 77 percent of the production is on state and private lands, in Montana it is 88 percent, in New Mexico 64 percent, and in North Dakota 83 percent.

And more than half of the natural gas production in five states occurs on state and private land: In Colorado 58 percent occurs on state and private lands, Montana it is 71 percent, in Nevada it is 100 percent, in North Dakota 83 percent, and in Wyoming 61 percent.

Activities on BLM lands provide an important source of revenue to the Treasury and to State and local governments. Royalties collected from energy leasing, and fees collected from other public land uses, all serve to benefit the taxpayer. In 2009, public lands onshore will generate an estimated \$6.1 billion in revenues, mostly from energy development. Approximately 44 percent of these receipts are provided directly to States and counties to support roads, schools, and other community needs. These activities also contribute to a more secure and reliable energy future for our country, providing a mix of both renewable and conventional energy supplies from the public lands.

Revenues derived by the states' for their share of mineral revenues are significant. For example, in fiscal year 2007, Wyoming's share of mineral revenue totaled over \$925 million; New Mexico's share totaled over \$552 million; Colorado's share totaled over \$122 million; and Montana's total share totaled over \$39 million.

The BLM continually seeks new ways to minimize, mitigate, or compensate for any adverse impacts from development activities on Federal lands. Through our land use planning process, implementation of Best Management Practices (BMPs), and other priority efforts and initiatives, the BLM ensures that oil and gas activities on the public land are done in an environmentally-responsible manner consistent to the extent possible with other public uses.

Healthy Lands Initiative - Through the Healthy Lands Initiative (HLI), BLM is working collaboratively with our Federal and non-Federal partners to restore, enhance, and protect habitats through landscape-scale restoration initiatives and conservation planning, allowing us to continue to fulfill our multiple-use mandate. HLI considers the health of the land at a landscape scale instead of acre by acre.

Initiated in Fiscal Year (FY) 2007, HLI focuses on implementing landscape-scale habitat restoration and conservation projects across both public and private lands. All of the projects implemented under this Initiative promote the maintenance or restoration of healthy native plant communities with the increased ability to survive or adapt to anticipated changes in the environment in the future. HLI represents a concept for meeting emerging challenges in managing natural resources for continued multiple-use with flexible landscape-level approaches. Land restoration efforts are targeted toward priority landscapes to achieve various resource objectives, including resource protection, rehabilitation, and biological diversity. A key component of this initiative is the partnership aspect and working closely with our neighbors to initiate and fund landscape-scale restoration work that allows for continued healthy, working landscapes. The BLM leverages appropriated funding with matching funds provided by other Federal agencies, State, local and tribal governments, philanthropic organizations, advocacy groups, and industry partners.

The HLI does not relieve the energy industry of its obligations to manage oil and gas operations in an environmentally-sensitive manner or to fund reclamation and remediation when required. To date, we have had many success stories that illustrate HLI's ability to preserve the diversity and productivity of the public lands in the six initial project areas located in New Mexico, Utah, South-central Idaho, Southwest Wyoming, Southeast Oregon-Southwest Idaho-Northern Nevada, and western Colorado. In FY 2009, we plan to expand HLI to California and northwestern Colorado.

Pilot Offices - Section 365 of the Energy Policy Act of 2005, established a pilot project with the intent to improve the efficiency of processing oil and gas use authorizations and environmental stewardship on federal lands. The project establishes pilot offices in seven BLM field offices: Miles City, Montana; Buffalo and Rawlins, Wyoming; Vernal, Utah; Glenwood Springs, Colorado; and Farmington and Carlsbad, New Mexico. This program has focused on enhancing interagency collaboration and environmental stewardship through the co-location of multi-agency staff and has already resulted in significant communication and process improvements.

The BLM has formed a partnership among several federal agencies including Forest Service, Fish and Wildlife Service, Corps of Engineers, Bureau of Indian Affairs, Environmental Protection Agency and a variety of State agencies including State Fish and Wildlife Departments, Environmental Quality Departments, State Oil and Gas Divisions and State Historic Preservation Offices. As part of this partnership the BLM is reimbursing these collaborating agencies their costs in supporting the pilot offices.

To date the program has added 207 new positions in the Pilot Offices, including positions for other Federal and State agencies. In addition to geologists or petroleum engineering positions, the program has resulted in hiring additional natural resource specialists, archeologists and wildlife biologists for these offices.

While permit processing times have decreased by 25 percent, there has been a substantial (24 percent) increase in the number of well inspections. This enhanced field inspection presence has led to earlier detection of compliance problems before they result in major violations. Also, co-location of agency staff has improved communication and process improvements and allows for participation of agency personnel on interdisciplinary teams and decision making.

The offices have completed 17 percent more inspections in FY07, including 37 percent more environmental inspections. The collaboration has led to the development of site-specific and programmatic interagency resource protection agreements and enhanced interagency on-the-ground resource monitoring and mitigation

Best Management Practices & Performance-Based Standards - The BLM employs Best Management Practices (BMPs) to enhance its ability to protect the environment and reduce long-term impacts on the land from oil and gas activity. The focus of BMPs is smart, upfront planning and solid implementation of best practices to reduce environmental impacts on public and private lands and resources. The BLM's policy guidelines require project managers to consider incorporating BMPs into all Applications for Permits to Drill (APDs) and associated rights-of-way. Additionally, the policy encourages oil and gas, geothermal, and helium operators to meet with BLM field office staff during project planning to incorporate BMPs at the earliest possible stage of the permit application process.

Oil and gas development is a temporary use of the land. Final reclamation of all disturbed areas, including access roads, to either their original contours or a contour that blends with the surrounding topography, is a BMP that planners consider in nearly all circumstances.

Grazing and Recreation on the Public Lands

Grazing – Ranchers play a key role in the history and development of the American West and are important to the economic vitality and quality of life for many Western communities. In addition, ranchers increasingly play an important role in protecting open space in areas of increasing population growth. One of our Rangeland Management program goals is to develop collaborative relationships that enhance our understanding of rangeland and watershed resources, their ecological processes, and capabilities in order to meet rangeland and water quality standards. Considerable on-the-ground successes can be attributed to the involvement of stakeholders at the local and national levels.

Of the Bureau of Land Management's 258 million acres of surface land, 160 million acres are authorized for livestock grazing as part of the BLM's multiple-use mandate. The goal of the rangeland management program is to create sustainable, working landscapes that are economically sound and ecologically healthy. In 2007, the Bureau permitted over 12 million animal unit months (AUMs) in 21,543 allotments. The BLM administers nearly 18,000 grazing permits and leases, which are issued to ranchers who pay fees and must comply with environmental laws and regulations. In 2007, the BLM collected nearly \$13 million in grazing fees.

The BLM encourages ranchers to contribute both funds and in-kind contributions to improving rangeland conditions. Range improvements include on-the-ground improvements such as vegetation projects, fencing, pasture rotation and wildlife/livestock water developments that have been recommended in activity plans. Improving the vegetative habitat and rangeland health of

public land ecosystems will benefit livestock, fish and wildlife habitat, riparian values, watershed protection, and other resource values.

Recreation - Once perceived as remote, BLM lands have become the West's backyard and vital to the quality of life for residents and visitors alike. Virtually all of the BLM's 258 million acres are open to some type of outdoor recreation. People visit BLM-managed lands to hike, fish, camp and otherwise enjoy the abundant recreation opportunities offered on our public lands. About 57 million recreation visits to BLM public lands occurred in 2007 – a 65 percent increase in visitation in the last 30 years.

In addition to long-popular activities like hunting, fishing, and camping, people are turning to BLM lands to enjoy fast-growing activities such as off-highway vehicle driving, mountain biking, wildlife viewing, climbing, boating, and visiting historical sites and nature centers. BLM lands are also increasingly visited for participation in non-traditional recreation activities such as caving, geocaching, hang gliding, land sailing, and dog-sledding. Both traditional and newer recreational activities have one thing in common: they offer important growth opportunities and economic benefits for small businesses, local communities, and regional economies.

Recreation and tourism-related activities in the West are big business – and they are growing. Nationally, the U.S. Fish and Wildlife Service estimates that wildlife-related recreation users by themselves spent about \$122 billion in 2006 alone. In all the western states, outdoor recreation together with nature, heritage and adventure travel are among the fastest growing segments. During 2007, the BLM collected nearly \$15 million in revenue from recreation use fees – a level similar to the BLM's revenues from livestock grazing and forest product sales. Commercial outfitters and guides on BLM lands account for nearly one-quarter of this revenue in which more than 4,500 commercial recreation permits produced about \$3.8 million in revenue.

Conclusion

The BLM manages 13 percent of the total land surface of the United States. These lands contain a wide variety of incredible resources, and the public has a wide range of interests in those resources. Our testimony today has outlined the ways in which the BLM is working to provide the Nation with dependable, affordable energy that is developed in an environmentally-sound manner, while also ensuring that all Americans--ranching, environmental, recreational, and other land-use interests--benefit from the agency's multiple-use management of our public lands.

Madam Chairwoman, thank you for the opportunity to testify today. I will be pleased to answer any questions you may have.